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Hon'ble Finance Minister's Speech

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HON'BLE FINANCE MINISTER'S SPEECH

MR. SPEAKER,

The reason for the assembly here of all of us, every year at such a time, as duly accredited representatives of the people, is to examine and analyse the circumstances and events of the year that is past; then deliberate upon and finally determine the measures that would promote the welfare and well-being of the greatest number of our countrymen for the future. The fundamentals of the system of our Government are that the State is for the people and not the people for the State, that is to say, it is not a system under which the people are exploited and their rights and liberties repressed for the welfare of a few or a group, but is one in which the individuals exercise their rights and enjoy their liberties equally, and where opportunities are created and the general run of things ordered as best as possible for their social and economic welfare on the basis of the natural resources of the country.

In the practical aspects of such a system, as the events that we witness succeed one another consequentially, we must, in determining measures and actions for the future, build up upon the events and trends of the present.

Government's measures and programmes will be grouped into three main sectors, namely, (1) Law and Order, (2) National Economy and (3) Social Services. These three sectors are interdependent, and as, in particular, the restoration of peace and order is the pre-requisite to the promotion of the national economy and extension of social welfare services, Government has already declared its firm determination to stamp out in the quickest possible time the chronic lawlessness and armed insurgency by devoting more resources, more man-power and additional armaments to the process.

As the people of this country, adults and children alike, have suffered in one way or other from the effects of this insurgency, it is not necessary on my part to retrace the history of its development. The whole mass of our people who have witnessed others suffer or themselves have suffered grievously at its hands clamour ardently for its extermination and restoration of peaceful condition under which they can pursue their avocations to the best of their abilities. It is incumbent on Parliament as the Body representative of the people and the Government responsible to Parliament for the administration of the country, to fulfil these desires of the people.

Regardless of the depths of depravity and cruelty to which insurgents have descended, Government has out of benignity created for them, favourable conditions and opportunities for their surrender, as it was mindful of the fact the longer this malady persisted, the worse would the body politic suffer. But Government's show of magnanimity has always evoked a stiffening attitude on their part.

I gave an undertaking, on behalf of Government, on presenting the Budget Estimates for the current year to Parliament a year ago, that all the armed forces would be expanded and strengthened and that measures for bringing insurgency to a speedy end would be vigorously prosecuted. In fulfilment of that undertaking, armed forces were expanded their equipment increased and operations against insurgents were conducted vigorously on an extensive scale. For the next two to three years, these measures will be intensified by further expansion of the fighting forces, by acquisition of still better arms and equipment by intensive training, by proper division of functions and by improved techniques in administration and control.

There should not be the slightest doubt that vigorous action of this kind will increase expenses substantially. But we should not on that account grudge the extra cost. If we are to put

the expenditure involved and the benefits to be gained into a profit and loss account, we will find that retardation in economic growth of the country, restraints in living and working conditions, losses and destruction which are all attributable to insurgency outweigh by more than ten or hundred times the expenditure incurred in fighting the insurrection. It would be worth our while to spend many more times the amount of money now earmarked for future spending if only for the prevention of further losses and destruction that will result from insurgency.

For these reasons and pursuant to the directive issued by the Hon'ble Prime Minister in the formulation of the Four-Year Plan, only essential projects will be carried out to completion and new projects kept in abeyance in the National Economy and Social Service sectors during the period that the bulk of our resources and most of our energies are devoted to restoration of law and order.

NATIONAL ECONOMY

Government has already declared its policy as to how the national economy is to be nurtured and developed for the future. Government earlier embarked upon an extensive economic development scheme as soon as it could find some breathing time from being set upon by insurgents soon after the gaining of Independence. Social services that go hand in hand with economic development activities were pushed ahead at the same time. This circumstance of taking on too many activities at one time detracted from the effectiveness of the measures instituted for combating insurgency, and while on the one hand restoration of law and order was delayed, the measures for economic development on the other fell short of their targets as there was lack of proper planning and preparation, dearth of technical know-how amidst the unfavourable conditions created by lawlessness. With the realization that important measures must be given their due priorities in

the scheme of Government activities in order to set up the edifice of National Economy on firm and secure foundations, Government will, from the coming year onwards devote its energies and resources as far as practicable to the most important of the talks confronting it—restoration of law and order. Projects in the economic and social service sectors which have already been started will be carried out to completion if resources permit. New projects and even these projects that have been completed will be started or operated with the skills and resources, as deemed suitable in each case, from private national or foreign sources.

The limits set by available resources and indigenous technical skills have indeed curbed the Government's ardent desire to transform our country into a welfare State in the shortest possible time and in seeking the attainment of our goals by other means, I would like to state that we need the assistance of all our citizens and foreign skills and resources that are well disposed towards us.

Economic Conditions

Amidst all the darkness occasioned by retrogressive insurgent action, lack of proper planning and preparation and dearth of skills, there could be discerned a thin ray of progress. Whatever be the destructive effect of insurgency, however scarce the necessary skills on account of deliberate denial or repression in the old colonial days, whatever be the inadequacy of preparation or planning, our innate aptitudes and abilities have not altogether been blighted but on the contrary are as well developed as ever.

We find support for this contention in the fact of our rising gross domestic product which for 1957 is estimated at K 524 crores though it has not come up to the level of the highest pre-war figures; of the cereals that form part of our produce, the production of sesamum has risen by 25 per cent,

sugar cane by 24 per cent, millet by 3 per cent and tobacco by 23 per cent while the rest of the cereals are not far below pre-war figures. Improvements have been effected in production of timber and minerals and the stage of internal sufficiency has been reached in the production of petroleum and kerosene. The sugar factories, the jute mill, the pharmaceutical industry and steel rolling mill that have been set up by Government will reduce, in a short time, our dependence on foreign sources of supply by a large measure.

Prices had risen during the earlier parts of the current financial year, but the imports of large quantities of commodities since had operated to bring down prices. The drop in prices has been marked in respect of textiles. Though there are seasonal fluctuations in the prices of consumer goods internally produced, the movement of their prices in sympathy with price increases of imported commodities have been largely reduced.

Social Services

Social welfare is fully dependent upon economic well-being. The growth of the national economy is but the sum total of the improvement of the economic status of all individuals in the country. Improvement in personal economy engender better living standards and provide the basis for increased returns in State's revenues, which provide the wherewithal for the operation and promotion of health, education and other social services which are the State's responsibility.

Government has up to the present year, been able to spend in the region of K 23 crores on social welfare measures. This quantum of expenditure in contrast with about K 3.4 crores spent during the year after Independence and representing an increase of about 700 per cent will give an idea of the very big strides made in the sector. For the next two to three years, social services will have to be soft-pedalled in consideration of

diversion of more resources to the law and order sector, but nevertheless there will be room for normal expansion activities. In the educational field, opening of new schools following the momentum of the educational expansion programme, training of more teachers, and giving vocational training on an extended scale, will have to be carried out in proportion to the increase in the number of students. The war against the scourges like malaria, tuberculosis, leprosy, venereal disease will have to be carried on in order that the successes so far achieved would not come to nought. Prevention and curative treatment of milder diseases is also another responsibility which the State cannot shirk but must discharge fully.

THE FINANCIAL YEAR 1956-57

An analysis of the estimates for the current financial year reveals close proximity between original and revised estimates.

There is but a difference of about half a crore between the original K 89 crores and revised K 88½ crores of the revenue estimates. Current expenditures revised at over K 87 crores against the original of over K 87½ crores shows only a small variation and on the capital side, revised figures of receipts at over K 39 crores show an increase of nearly K 2½ crores over the original K 36 crores 70 lakhs whereas capital expenditures have been placed on revision at over K 2 crores less than original estimates.

Increased returns are expected under Customs, Excise Duties, Excise and other taxes and duties. The principal reason for these additional yields is the heavy imports of consumer and capital goods which were designed to bring prices down at the same time. Yields from income-tax, land revenue, profits of the Union Bank are expected to register decreases in greater or smaller measure. The reduction in income-tax returns is to be attributed to Government Agencies making smaller profits than anticipated. Part of Union Bank profits were utilized to draw down outstanding Treasury Bills and hence reduction in profits receivable by Government. Other revenue heads show but small variations.

Reduction of Reparation receipts by about K 2 crores will be more than matched by drawings from the Indian loan and increases under debt and deposit transactions, resulting in increased yield of K 2½ crores all told. Capital expenditures, as earlier stated will drop by about K 2 crores.

Taking the Union Estimates as a whole, the revenue surplus of over K 1 crore and an excess of receipt over expenditure on capital account by over K 3 crores would give an overall surplus of about K 4½ crores undisbursed out of Government Account. These surpluses will in substantial measure go to offset the effect of borrowing by Government economic agencies.

The Financial Year 1957-58

Expectation and estimates for the coming year show marked contrast in comparison with the current year in several respects. Government will not, as hitherto, rush matters but will make a careful survey of available resources, existing man-power and skills, assistance in prospect and fit in its activities in strict order of priority, advancing the time of execution of the most important and deferring or staggering those less important. In the very forefront, as the honourable members are well aware, are the measures for restoring law and order in the shortest possible time. In the economic and social sectors, only the projects that have been started will be continued, and new projects in the industrial and mining fields that are within the capacity of the private sector will be made over to private entrepreneurs while Government will render all assistance possible. Government will also assist in the securing of foreign skills and capital for co-operative ventures with the Burmese counterparts. Government is firmly of the belief that advancement of the national economy on such a wide front will give satisfaction to all interests and make its foundations secure.

Estimates

Practical action along the lines of the policies I have stated will require a large amount of revenue and consequently it will be necessary to improve enforcement of taxes, impose new

taxation and raise tax rates. In carrying out this tax programme, care and attention has been given to see that the incidence of tax is in proportion to the ability of the various income groups to pay.

Revenue income has been estimated at about K 98 crores and exceeds current year's estimates by about K 9½ crores. The heads of revenue account under which large increases are expected are Customs, Excise duties, Income-tax, other taxes and duties and taxation of foreigners.

Expenditures are expected to go up in proportion to increases in revenue. For law and order, expenditure on Police alone will go up by nearly K 2 crores on current account and by nearly K 3 crores on Capital Account. Defence Estimates have been cast at K 2½ crores above existing levels and there are good reasons to spend considerably more on immigration. Though the emphasis of spending is in law and order, expenditures for education, medical anl public health which have definite momenta have been estimated in excess of current year's levels. For all these reasons, current expenditure for the next year is estimated to exceed current year's figures by nearly K 7 crores.

With revenue receipts at K 98 crores and current expenditures at K 94 crores giving a revenue surplus of K 4 crores, capital receipts have altogether been estimated at K 41 crores. These take account of dividends of K 64 lakhs from Joint Ventures, K 15 crores from reparations, receipts of over K 3 crores from internal debt and deposit transactions, K 10 crores loan from India and loan instalments from the US Government and the World Bank totalling K 9 crores 70 lakhs. On the capital expenditure side, are items for purchase of arms and equipment for the Police ; loans and advances to Boards and Corporations to the amount of K 18 crores 81 lakhs and K 2 crores worth of Capital goods from reparations for the development of the Constituent States.

Estimates of Capital receipts at K 41 crores 5 lakhs and Capital disbursements at K 41 crores 69 lakhs are very nearly in balance, but as the capital programme for the Departments,

and other Agencies of Government for the coming year had been fixed at just over K 56½ crores, Government Agencies will have to resort to borrowing their requirements over and above the disbursements made to them from Government Account, either from the public or the Banking system under the terms of the authority they possess for so doing.

TAX INCREASES AND MODIFICATIONS

In furtherance of the need of Government for more revenue in the coming year, tax increases, tax structure modifications and new taxation will have to be introduced.

Custom duties.—Without disturbing the tariff rates on essential commodities, it is proposed to modify rates on luxuries and semi-luxuries as circumstances may require. With this and arrangements made for imports in ever greater volume, an increase of K 3 crores is expected under this head.

Excise duties.—The duties on cigarettes will be taken up from K 20 to K 25 per thousand cigarettes.

Sales tax.—The existing exemption limit of K 10 lakhs on local manufactures will be reduced to K 5 lakhs.

Stamp Duty and Court Fees.—Amending legislation will be introduced to raise stamp duties and Court fees.

Income-tax.—A Bill to amend the Income-tax Act will be introduced, which will *inter alia* bring excessive Capital gains under taxation. Assessment and Collection will also be intensified to improve returns under this head.

Tax on Foreigners.—Fees now being levied on foreigners for registration and issue of stay permits will be increased to K 50 and K 100 respectively.

In addition to measures for increasing tax rates and other modifications, the campaign for private saving will be intensified and steps will be taken to effect better recovery of outstanding Government loans.

Foreign Loans

Foreign loans receivable next year, namely, K 10 crores of the Indian loan, K 8.2 crores of the US loan, instalments amounting to K 3.34 crores from the World Bank loan, K 15 crores from Japanese reparations, and about K ·9 crores from the Soviet Union under the scheme for exchange of gifts have been accounted for in the estimation of available resources. If it should be necessary to take further loans or seek other forms of assistance within the compass of policy laid down by Government ways and means will be found for their acquisition.

Other Activities

In accordance with the policy directive governing the formulation of the Four-Year programme, arrangements are in train to speed up criminal trials ; for the award of deterrent punishment and for the re-organization of jails besides the measures for law and order and policy changes in the economic and social sectors.

Public Service Personnel

Attainment of improved efficiency in the execution of projects and achievement of better results in carrying out other measures of Government rest upon steadfast morale of public service personnel. Government has to that end measures in hand for affording relief to public service personnel and action is being taken to set up departmental stores exclusively for them ; to give loans at low interest rates and to make existing debts less burdensome. Requisite orders on all these matters will be issued before long.

Mr. Speaker, in all that I have submitted to the House, I have but been recapitulating in a general way Government's policy declarations as a basis for the proposals for raising revenue and appropriating same for various State activities. I would request that the Budget Estimates and the Economic

Survey for 1957 which I will submit in due course be read together and in the discussions that follow, I hope that criticisms and suggestions of the constructive kind as would conduce to effectiveness of the various Government measures would be forthcoming. Moreover, as representatives and leaders of the people, I would earnestly request that the honourable members organize and alert the populace to a new sense of duty to secure their maximum co-operation in the implementation of the various measures.

The years after the Independence should bring home to all of us that there is no royal road to the attainment of peace, to the promotion of economic well-being, and to the raising of living standards ; and that it is only by assiduous application that success in greater or smaller measure can be hoped to be achieved. This lesson should be taken to heart and I would therefore urge most strongly, in concluding my submission to the House, that we strive in unison to the utmost in all our undertakings.

BO KHIN MAUNG GALE,
Minister for Finance and Revenue.

RANGOON:

Dated the 27th August 1957.

G.U.B.C.P.O.—No. 150, M. of F. & R., 26-8-57—600+300—Lino.